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IN STATE-OPERATED ENTERPRISES  
-COMMUNIST CHINA-

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MASS ECONOMIC AUDITING MOVEMENT  
IN STATE-OPERATED ENTERPRISES

[The following is a full translation of an article concerning the mass movement in enterprise finance in Ch'eng-tu, Chungking, and Wu-han, released by the Work Team of the Trade and Finance Staff Office of the State Council. It appeared in Ta Kung Pao, Peiping, 17 February 1960, pages 2-3.]

I. Foreword

In the midst of celebrating a prosperous 1959 and welcoming a "red" /radiant/ 1960, we, together with Chen Hsi-yu, vice-president of the People's Bank and several other comrades, visited five plants and one store in Ch'eng-tu, Chungking, and Wu-han, viz. Ch'eng-tu Measuring and Cutting Tools Plant, Chungking Yang-chia-p'ing Machinery and Equipment Plant, Chungking Machine Tool Plant, Wu-han Riverside Rolling Stock Manufacturing Plant, Wu-han Joint Leather Plant, and Chungking Three Eight Store. We have come to preliminarily comprehend the progress, methods, and experience pertaining to the promotion of mass finance movement in these enterprises.

We have discerned that, in promoting mass movement, these enterprises generally practiced a system with varying degrees of decentralized and divided control under a unified leadership and also an auditing system with varying degrees of decentralization (some practiced three-level control and auditing, viz. plant, department, and section-level control and auditing; some practiced three-level control and two-level auditing, viz. plant, department, and section-level control and plant and department-level auditing). They also practiced different forms of separate funds control system (some practiced separate control but not separate possession of funds, some practiced genuine separate control but unreal separate possession of funds, some practiced separate control and separate possession of funds). Some enterprises further practiced decentralized and divided control of fixed assets (Ch'eng-

tu Measuring and Cutting Tools Plant) or decentralized and divided control of retained profits (Chungking Yangchia-p'ing Machinery and Equipment Plant). In spite of the fact that the methods of promoting the mass movement in various enterprises were different from one another and the slogans used were diverse, the Party committees of various enterprises were all able to grasp the significance of mass economic auditing movement and used it as an important means of expanding the campaign of increasing production and practicing economy, promoting labor emulation and realizing continuous leap forward in production. It also served as an important instrument of consolidating the system of "three participations, one reform, and three combinations" in order to further mobilize workers to participate in control and elevate the level of control.

The outstanding features of mass economic auditing movement are as follows: vigorous in exerting efforts and large in scale; maintaining close relationship and rendering mutual stimulation with the mass movement of increasing production and practicing economy (take the Wu-han Municipality as an example: prior to the Eighth Plenary Session of the Eighth Central Committee of the Chinese Communist Party convened in 1959, only 50 percent of enterprises there had practiced section-level auditing, whereas at the end of 1959 the proportion rose to 98 percent); coordinating with labor emulation (whatever labor emulation took place, there would be auditing; the results of the auditing were used as the basis of making criticism and comparison of emulations); coordinating with workers' participation in control (whenever control took place, there would be auditing); coordinating with the Party's central tasks in different periods (the Party's central tasks were always accompanied by auditing; whenever key projects or reform took place, there would be auditing); coordinating with necessary material prizes ("prizes were awarded under red flags"); coordinating with the mass movement in financial and banking departments, rendering mutual assistance and effecting leap forward together; maintaining continuous extension of the mass economic auditing movement, gradual increase in production, and gradual deepening in auditing.

The diversification and popularization of auditing forms was an important sign of a penetrating and expanding mass movement. Whether in different departments or in different sections we could see many mass-created simple emulation graphs and tables, and various tables pertaining to the auditing of the progress of target fulfillment (some were posted every day, some were posted every ten days), revealing a mass economic auditing movement with

everyone participating in auditing and financial management. Such a penetrating, wide-spread, and vigorous movement had never occurred before.

Despite our short visit in those areas and comparative shallowness of our comprehension, we were deeply impressed. For those of us who are engaged in finance work this was a lively lesson for the promotion of the general line for socialist construction and the mass movement. The chief of the finance division of a plant stated well when he said: "the word 'supervision' appeared more than 700 times in the old financial regulations of the plant, but financial work was not well performed. This was because the mass line was neglected in the design of financial regulations. A few workers were relied upon to undertake financial affairs in the past. Even though they continued to work on holidays, many problems could not be solved. Now we rely on the masses and many undertakings are well executed. Final accounts for this month can be worked out before the third day of the next month, and plans for the next month can be sent to lower-level organs on the 25th of this month. In addition, financial workers can spare time to undertake manual work along with laborers, convene auditing meetings, and organize auditing table contests.

People have learned from practice that whether they can or cannot develop production, or carry out central tasks of the Party, depends on the mass line; in other words, whether they can or cannot vigorously promote mass movement is the key to a successful leap forward in financial work. With clear and correct thinking and high work spirit, sound measures will be forthcoming and the mass movement in enterprise finance, like the mass movement in production, will be rapidly developed.

The deep impressions we acquired during this trip prompt us to set forth in the following pages the facts we witnessed and heard for the reference of our comrades.

## II. Auditing, Emulation, and Comprehensive Prize Combined -- The experience of promoting mass economic auditing at Ch'eng-tu Measuring and Cutting Tools Plant.

First, a brief statement on the conditions of Ch'eng-tu Measuring and Cutting Tools Plant is in order. The plant is famous in the diligence and thrift practiced during its construction. Compared with other plants of similar character constructed or expanded in the past, the capital investment of this plant is 50 percent less but its output derived from investment is 1.2 times higher.

During a period of 17 months from the beginning of 1958 when the plant was put into production to May 1959, its realized profits were sufficient to recover the total investment in the construction of the plant. In 1959, profits retained by the enterprise amounted to approximately 7,000,000 yuan. It used the funds to construct a small steel mill, an emery wheel plant, and a cement plant. This created a favorable condition for the overfulfillment of planned targets at a time of tight supply of raw materials. In 1960, its planned output will reach one million yuan per day, an increase of twofold over the value of output in 1959. Workers of the plant have full confidence in achieving continuous leap forward and are quite satisfied with the system of retaining profits.

Second, a few words on the Mass Economic Auditing Movement. Based on the policy of "combining centralized leadership with the vigorous promotion of mass movement" and the instruction to carry out work to the greatest detail as directed by the Central Committee of the Chinese Communist Party, the Party Committee of the Ch'eng-tu Measuring and Cutting Tools Plant has held fast since 1959 to the link of mass economic auditing and employed it as a principal means to consolidate the results of mass movement, realize continuous leap forward in production and elevate the level of control. The methods used: practice of a decentralized control system under unified leadership and separate control of fixed assets in addition to separate control of funds. Concretely speaking, the principal contents of decentralization and separate control of funds and assets are as follows:

(A) Plant, department, and section-level auditing. Sections practice simplified auditing with main emphasis on the auditing of the progress of fulfilling five principal targets --- output value, output quantity, quality, expenses, and balance rates. Departments practice cost accounting and computation of profits and losses (not to mean that they should bear the responsibilities of dealing with profits and losses). The entire plant practices unified auditing and is responsible for profits and losses.

(b) Separate control of funds. Out of the entire amount of funds fixed for the plant, the funds for purchasing materials are controlled by the supply division, the proceeds realized from sales by the sales division, and the funds for goods-in-process by production departments. Funds are controlled by those who use them.

(c) Separate control of assets. Fixed assets such as machines and equipment are controlled by the departments



which use them. In applying these methods, every production department of the plant has its own fixed assets and working capital. Depreciation fund must be retained for fixed assets while interest expenses must be counted against working capital. Raw materials must be purchased from the supply division whereas finished products are to be sold to the sales division (not a real purchase and sale but an accounting device for making internal settlements on the basis of vouchers issued within the plant). The amount of administrative expenses is fixed. Each unit is allotted a fixed amount and should audit against one another and inspire common progress. Each worker of a department knows the capacity and task of his own department. The entrusting of the entire property and task of different departments to workers greatly stimulates the master consciousness of the working masses, the creativeness and initiative to participate in control. It brings forth a mass economic auditing movement with everybody taking part in auditing and financial affairs. Many problems which were regarded as very difficult to solve in the past have been smoothly solved. Quite a few departments which strove to obtain additional equipment without any urgent need now no longer make such requests and even return surplus requisitions (equipment is subject to depreciation which will raise cost). Formerly, assets were not clearly recorded and the main office of the plant were unable to know when production departments charged out their equipment. Now, all the equipment is recorded and not a single item can be omitted. In the past, there were no clear recording of products and adequate control of funds; now even goods in process are clearly recorded. In the past, workers knew only the size of their output; as to how much wealth they had created with each day's work, how much they had increased in production and how much they had economized, they did not know. It was usual for them to have very little or no overall knowledge relating to production. They might have given sufficient attention to the quantity of products but neglected the quality, or they might have placed emphasis on quality of products but failed to take into consideration costs. Now, the five principal targets must all be taken into account by every section. The masses has created many simple, easily understandable, diversified, and practical original records, statistical graphs, and tables. Production results can be published immediately at the end of a working day. Good ones are extolled while bad ones are subject to analysis at section meetings with every one rendering assistance to improve the results. Thus, the enterprise management has embarked upon a new

stage of development. In the past, workers strove for new tools; now they only demand old ones (new tools are priced higher than old ones). Particularly important is the fact that ever since workers have participated in auditing work, assumed the control of public assets, and known the costs of consumed materials, they have become to hate wastes and, instead, they have encouraged economy of materials. For instance, after the workers learned that diamond were imported and cost over 500 yuan a piece, they were surprised and began to enforce voluntarily savings in the use of diamond. Furthermore they even promoted technical innovations by using emery wheel tools to replace diamond so as to reduce cost. Take another example: after the workers learned that one screw or spring would cost more than one yuan, they not only refrained from losing them but even picked up old ones for re-use. This plant realized a 1959 output value of 7.18 percent more than the planned target, while its profit was raised by 60.55 percent. This is mainly because of reductions in cost. The costs of products are estimated to have been reduced by about 24 percent when compared with the previous year, thus raising profit by nine million yuan. The capital of the plant was fixed at 13 million yuan. Before May 1959 the capital actually used amounted to 18 million yuan while after the promotion of mass auditing movement it was reduced to 12 million yuan. The capital turnover was accelerated in 1959 with the average period decreasing by 39 days compared with that of 1958 (115 days in 1958 and 76 days in 1959).

Third, the principal targets of economic auditing are the principal contents of labor emulation. The mass economic auditing movement has been developed, but how to consolidate and improve it still remains a problem. Workers in the plant have combined economic auditing with labor emulation and regarded the principal targets of economic auditing as the principal contents of labor emulation. In the past emulation among sections simply stressed increases in output; now, contest items have become more numerous with five targets being subject to emulation, viz. emulation in output value, quantity of output, quality, expenses, and consumption of materials. In addition, emulation is extended to achievements in production balance.

To remedy the condition of slack production at the beginning and rushed output at the end of a month, the plant at first prescribed that up to the 20th day of a month 65 percent of the whole month's production target should be fulfilled. The attainment of such a proportion (also called balance rate) was regarded as one of the auditing and emulation items. As a result, there was no rushed

situation at the end of a month, nevertheless it occurred on the 20th day of a month. The merit of this regulation was that any difficulties or problems which might have arisen would be encountered earlier, i.e., on the 20th day instead of at the end of a month, and would be easier to get solved in time. On the other hand, there was the defect that the problem of balanced production could not be solved. Therefore, the plant has now a rule that prior to the 10th day of a month production must catch up with the progress in the previous month (i.e., 30 percent of its monthly target must be fulfilled in the first 10 days). Labor emulation has stimulated the work of economic auditing, while economic auditing has, in turn, enriched the contents of labor emulation. They have rendered mutual stimulation and effected common improvement. In the course of labor emulation workers have come to entertain the thought of economic auditing, and also of implementing the state plan in a comprehensive and balanced manner. This has resulted in implanting the principle of greater, faster, better, and more economical socialist construction deeply among the masses and enabling the economic auditing movement to perpetuate forever.

Fourth, there are prizes under red flags. The wage rate in the Ch'eng-tu Measuring and Cutting Tools Plant is computed according to hours worked. Previously, prizes for emulations were generally in the form of honorary award to contestants. As the plant was newly constructed a comprehensive prize system was not established. Since the second half of 1959, comprehensive prizes have been established on the basis of combining economic auditing, labor emulation, and prize in one entity. Prizes are awarded once a month to those who have fulfilled all the five targets. The amount of a prize averages about three yuan for each person and is increased by one percent if the over-fulfillment of targets is one percent. Prizes are classified into three grades according to the degree of attainment in balanced rates: first class prizes are awarded to those who have attained the same progress as that of the previous month in the first ten days of a month, second class prizes are awarded to those who have attained the same progress as that of the previous month in the first 20 days of a month, and third class prizes are awarded to those who have attained the same progress as that of the previous month at the end of a month. Prizes are awarded to groups. Out of the total prizes 5 to 25 percent are awarded as prizes for group solidarity and safety. After receiving prizes, each section must conduct, once more, criticism and comparison. If a group has ful-



filled planned targets but has not achieved solidarity (in fact this is a sort of criticism on politics), prizes will be reduced in amount. Thus, the possible inclination of "fulfilling targets only to demand more money" can be arrested. Such a method is called "prizes under red flags." This concretely and animatedly reflects the spirit of combining political leadership with material incentives.

Fifth, the mass auditing movement changes worker's spirit and greatly improves the level of enterprise management. The method of combining auditing, emulation, and comprehensive prizes adopted in the Ch'eng-tu Measuring and Cutting Tools Plant has consolidated the mass auditing movement and achieved outstanding results. The worker's spirit has been changed and the level of enterprise management has been greatly improved.

The secretary of the Party Committee in the plant has said that during several mass movements in the past, having mobilized the masses, workers in various offices and divisions felt there was nothing further to do. They showed low spirit. Only when they encountered some problems, their creativeness was then brought to the fore. But their proposals and measures all reflected the one-sided view point of "control" and "management" based on their thinking in offices and applied to limit the activities of the masses. This almost became a set rule. This time it is quite different from the mass movement of the past. After learning the decisions made in the Eighth Plenary Session of the Eighth Central Committee of the Chinese Communist Party, the workers have greatly changed their thinking. The unprecedented results achieved in the mass movement further have shown a practical educational effect. The workers now come to understand that economic auditing does not merely reflect production results; it is not a dead account which "cannot change something from few to many or from many to few". Instead, following the mobilization of the masses, it has become a live account which can turn something from few to many or from many to few. The mass economic auditing is not simply an economic problem but primarily a political problem. It is an important step to mobilize workers to participate in control and assume the position of a master.

The secretary has stated also that at the beginning many cadres stood aside. But, after a short period of experiment, they have worked on it with all their efforts. Now, the workers have assumed authority. They are not to be controlled by abacus, and instead, cadres are to serve the mass auditing. This has completely reversed the past

erroneous thinking that "cadres were entrusted with auditing while workers were but fools." In the past, the various divisions and offices were responsible for setting targets. Without being pressed by different production departments and sections they were slow in setting targets. Now, the production departments and sections press the different divisions and offices to draw up targets. Generally, on the 20th day of a month targets for the following month are drawn up. After being subject to repeated discussions, the targets are finally decided on by the Party committee. After taking part in auditing, workers will say "now, every thing must be calculated." This perfectly reflects the master consciousness of the workers as a result of their participation in control. The secretary has pointed out also that with the mass line being applied within the plant, Communist consciousness has rapidly developed and the level of enterprise management has greatly advanced.

III. The System of decentralized and divided Control under Unified Leadership as practiced by the Chungking Yang-chia-p'ing Machinery and Equipment Plant. -- a new experiment to promote mass movement in the operation and management of enterprises.

In 1953 the Chungking Yang-chia-p'ing Machinery and Equipment Plant consisted of several small factories. At that time there were only 500 workers. By 1958 the number of workers increased to 1,700. The value of output also advanced: -- it rose by 4.2 times in 1958 as compared with that of 1957, while in 1959 it further went up by 1.2 times over the level reached in 1958. It is one of the key plants which have experimented decentralized and divided control in the Chungking Municipality. The principle of decentralized and divided control may be briefly stated as follows: unified leadership, decentralized control; adequate division of power, delegation of responsibilities to different levels; distribution of material resources, appropriation by the State; three-level auditing, the plant being responsible for profits or losses; guaranteed transfer of profits to upper levels, with a portion retained by the plant; distribution according to work, with adequate award of prizes.

To implement this principle the four types of authority enjoyed by the main office of the plant -- planning, personnel, techniques, and finance -- are partly decentralized. Actual control is practiced by production

departments under the unified leadership of the Party committee in the plant. Among the four kinds of authority the most important one is financial. It is also in financial affairs that best results are achieved through the application of decentralization this time. In 1958, when the control system of "two participations, one reform, and three combinations" was introduced, the power pertaining to planning, techniques, and personnel were partly decentralized, but financial authority was basically retained. At that time, the division of finance only delegated to various sections the responsibility of making wage payments to workers. It paid the total sum of wages to various sections; the latter made payments to individual workers. This invited complexities and was apt to give rise to errors. The workers commented that this was not decentralization of power, but decentralization of a part of a complex affair.

Since May 1959, the plant has introduced on an experimental basis, decentralized and divided control, where the power pertaining to the following financial affairs is decentralized:

(a) Decentralization of a part of retained profit. Of the total profit retained by the plant, the main office keeps 60 percent, production departments 30 percent, and sections 10 percent.

(b) On the basis of retaining profits at different levels, expenditures for safety techniques and technical organizational measures are to be controlled by production departments.

(c) Expenditures assigned for use in labor protection, provision of supplementary materials and replacement of instruments are to be controlled and utilized by various sections.

The merits of decentralized and divided control are as follows:

(a) It speeds up the development of mass economic auditing and strengthens master consciousness of the workers.

(b) It sets orderly production in various sections and enables workers to pay attention to plans and achievements.

(c) It promotes the development of technical innovation and labor emulation.

(d) It strengthens financial control, reduces costs and economizes capital.

(e) It brings about consolidation and expansion of the policy of "two participations, one reform, and three

combinations" and strengthens the system of having a responsible head in the plant under the leadership of the Party committee there.

Particularly worth noting is the fact that, in line with the principle of decentralized and divided control, every production section (these are basic production units and serve as the basis of control in the plant) assigns a worker for each of the following ten positions: planning, technical affairs, quality, finance, statistics, materials and instruments, safety, work records, daily activities, and propaganda. (There is a specialized finance person in the production department.) Thus, the production workers are at the same time, auditors and control personnel. With the establishment of the ten positions, auditing work in sections is able to be carried out on a really mass foundation and the level of production control has been greatly elevated.

While at the Chungking Yang-chia-p'ing Machinery and Equipment Plant we convened an informal meeting attended by the workers occupying these ten positions. They all showed familiarity with their tasks, enthusiasm towards their work, and spoke up with high vitality. When they were asked whether such work would occupy too much of their spare time, they replied that because of their being unfamiliar with this kind of work, it took more than one hour for them to finish the job at the start, now, they could finish it in 15 minutes after leaving their regular work. Some of them like the quality control man not only undertake examination of finished products, but also take preventive steps and make selective investigation in the production process so as to eliminate waste. (In case of sizeable wastes, an all-section quality analysis meeting will be called.) In view of the above, the ten workers do not simply conduct elementary recording and audit, but also assist the production section chief in strengthening control. How to train such personnel in each section (five people are directly related to financial work) has become a new important task for the division of finance in the enterprise.

#### IV. Making Long-range Planning and Short-term Arrangements, Grasping Production Sequence -- The good experience of the Chungking Machine Tools Plant in Accelerating Capital Turn-over.

Control over the Chungking Machine Tools Plant has been transferred from the First Ministry of Machine Industry to the Chungking Municipality. It comprises ten production

departments with 2,800 workers. It is a comparatively old advanced unit and is similar to Yang-chia-p'ing Machinery and Equipment Plant in regard to measures on decentralized and divided control and sectional auditing. The outstanding characteristic of the plant is that it has made long-range plans and short-term arrangements for production on the basis of the time period required in the production process. (Raw materials are ordered in the same manner provided by the Division of Supplies). Production sequence in the various departments and sections are coordinated. As a result, production period has been shortened and capital turnover has been greatly accelerated. In 1957, this plant produced 262 pieces of machine tools with a working capital of 1,700,000 yuan. In 1958, it produced 524 units of machine tools with a working capital of 800,000 yuan. In 1959, it produced 1,100 units of machine tools with a working capital of only 180,000 yuan. Theoretically, a plant with an annual production capacity of 500 units of machine tools should have a working capital of 1,500,000 yuan. Of course, the size of working capital varies with the value of different machine tool units produced. From the comparable figures mentioned above however, we may discern that this plant has managed its working capital well and has achieved outstanding results in the acceleration of capital turnover.

How can the plant achieve such a result? According to the plant manager, the assembly room is the "dragon head" of the entire plant. All the goods-in-process put out by the various production departments are assembled into finished products in this room before they can be sold on the market or delivered to the State. Consequently, workers in the plant has enacted a slogan "protect the dragon with all the efforts of the plant". In the past, it often happened that one machine was provided with spare parts sufficient for the assembly of 20 units while another machine was supplied with spare parts sufficient for the assembly of only 5 units. Still some machines were not supplied with any spare parts at all. As a result, although there was a large or even super-abundant stock of spare parts and goods-in-process, not a single machine tool unit was actually assembled. Based on the past experience, the plant has adopted since 1959 the following procedure: if a plan calls for the production of 1,000 units of machine tools a year which is about three units a day, the plant makes arrangements for the production of 20 units in the first week. The material division delivers the material required for producing the 20 units all at one time to the production departments



(almost the same as placing order with the production departments for processing); it will not send material to the production departments again until it has received 20 units of machine tools on the 7th day. The warehouse man will not accept products even if there is only one unit short of the scheduled amount. In case there are discarded units among the finished products, the responsible departments must give reasons for such discarding and then may request supplementary material. Whenever the assembly room is short of certain spare parts, the entire plant will be alerted to remedy such a situation. Thus, with the supply of materials on schedule and strict adherence to the production sequence, the old problem of not being able to clear the goods-in-process is basically solved. The plant is not only able to fulfill the target for total output value, but also the targets for the output value of individual products, profits, and capital turnover. This method simply is called "grasping the production sequence". As the plan is well formulated and its goal clearly set, the entire plant functions like a chess arrangement, revealing lively and tense spirit; any problem can be solved in time. Thus, not only capital is saved, but also the needs for State construction has been adequately met. This is an outstanding experience and should deserve our serious attention.

#### V. The Popularized and Diversified Auditing devices of the Wu-han Joint Leather Plant.

Wu-han Joint Leather Plant is a joint leather goods producing enterprise with 2,528 workers (from hide curing to tanning and shoe-making). Its products are mainly for exports. In 1959, the output value of the plant totalled 19,200,000 yuan, and its working capital amounted to 3,900,000 yuan. Since 1954 the plant has practiced a system of economic auditing. In the course of this movement, the plant has adopted some accounting devices such as promissory notes and capital notes and has achieved certain results. However in general, the work of economic auditing has not been widely practiced and firmly rooted. During the rectification campaign in 1958, a "large character poster" from the masses hit the key points of financial work. It stated that the entire plant had exerted all efforts to serve production while financial auditing was still serving glass boards and calculating machines. After the publication of the decisions made by the Eighth Plenary Session of the Eighth Central Committee

of the Chinese Communist Party, through wide-spread learning, anti-rightists, and effort-exerting campaigns and vigorous promotion of the mass movement, financial work takes on a new appearance and mass economic auditing has entered a new stage.

How do they promote the mass economic auditing movement and how are they able to achieve outstanding results within such a short period? In the past, economic auditing was carried out on the basis of what was stated in textbooks on the practices of others which were not only unsuited to the peculiar production characteristics of the enterprises, but also shunned by the masses. Such blind introductions often cannot last long. This time people began to think: in daily life food, grain, and edible oils were rationed; people received coupons every month and what they returned at the end of a month indicated the extent of economy they practiced. Why could not the same rationing device be applied to an enterprise? A library could keep a large number of books and lend them to the people when they produced borrowing cards, thus resulting in very good order; why should not the same operating method be applied to the control of tools in an enterprise? Furthermore, the people's communes in the rural areas were very successful in practicing a system of recording labor points for different kinds of agricultural work; why could not the same point system be applied to general auditing, criticism, and comparison of various targets to be fulfilled by the different sections of an enterprise? In this way, the mass movement is integrated with the popularized, multiple auditing forms; the mystery of economic auditing and its dogmatic inclination are demolished; the work of economic auditing becomes deep-rooted among the masses. The workers say: "whenever there is contest, there is comparison; whenever there is comparison, there is auditing" (whatever contest there is, there will be auditing.) They further add: "assuming mastership must be accompanied by good management; good management requires auditing; negligence in auditing will lead to bad management and bad mastership."

In the case of the Wu-han Joint Leather goods Plant it has practiced the following eight forms of auditing based on its own peculiar characteristics:

(1) Individual cost accounting. -- This is applied to sole-cutting sections. Sole-cutting is the first step in the shoe-making department. The sole-cutting section controls 70 percent of the cost of shoes. In the past, the workers often used low-grade leather in computing

quantity and high-grade leather in computing money cost. The computation of quantity and money cost of leather used has been further developed into individual cost accounting (each worker in this section operates one machine independently, hence convenient for individual accounting).

(2) Material economy auditing. -- This is applied to the hide curing section. The procedure is to compare actual performance with what is planned on a daily and individual basis. The application of this method makes it possible to uncover promptly economy or waste of material used where there is no great change in the gradation of material used. But, if there is a great change in the gradation of material actually used, often it will be impossible to correctly reflect the actual situation. Consequently, workers should not apply this method to all occasions for the sake of simplicity.

(3) Auditing of tool borrowing. -- This is applied to the electricity and power departments. Similar to the book-borrowing procedure of a library, the use of important tools requires the presentation of tool cards and they must be returned according to period schedules.

(4) Auditing of supplementary material coupons. -- Supplementary materials such as lubricating oil and cotton yarn are distributed according to ration coupons. Like the procedure of food rationing to receive these supplementary materials requires the presentation of coupons. Any surplus is considered as saving. The nails used for shoemaking are wrapped in the same way as the native drugs are wrapped in a Chinese drug store. One pack of nails is used for one pair of shoes.

(5) Auditing of work table. Each work table is attended by six workers in the shoe-making department. It is impossible to apply individual cost accounting. Instead, auditing is undertaken on the basis of work tables.

(6) Auditing of the use of old and waste materials. -- There is a store room for old and waste materials in the plant open to the workers. When a worker makes a finished product without using new materials, he adopts the same procedure as used in remitting funds through a post office. He fills out an auditing form for utilizing old and waste materials and attaches the form to the finished product to be sent to a store room. With the passing of inspection, such products are regarded as achievements in utilizing old and waste materials.

(7) Computation of points with respect to overall leap forward. -- This is applied to criticism and comparison of overall leap forward situation among various sections. The progress toward different targets is to be com-

pared through the use of point system. For instance, in carrying out criticism and comparison among sections, aside from comparing the quantity of output, quality, economy of materials, utilization of old and waste materials, field work frequency, and balanced production rate, there are also comparisons with regard to production safety, technical innovation, social activities, work attitudes, etc. Performance in these respects is recorded every day, every ten days, or every month. Some of them are related to economic progress, while some are related to political consciousness. They are converted into points in order to make criticism and comparison possible. For example, in the "tens of thousands innovations movement", the workers, with the consent of the management of the plant, set the rule that two points would be accorded to a section for making a proposal of technical innovation and four points to a section for every proposal adopted. If the adoption of a proposal results in a gain of less than 50 yuan, ten points are to be accorded; if it results in a gain of between 50 yuan and 100 yuan, 20 points will be accorded. Take another example: in social activities, the absence of one hour in an evening cultural school, will result in a two-point deduction from the record of a worker. Although these measures are not within the scope of economic auditing and are not directly reflected in the computation of costs, they do facilitate stimulation of the consciousness of the working masses and the overall leap forward. They make economic auditing serve the realization of the Party's central tasks, command the respect and support of related departments. Therefore, they are good forms of mass movement. As the secretary of the Party committee in an evening cultural school has stated to the workers in the financial division: "the point recording system is even more effective than roll call in my school. It should be continued forever."

(8) Cost accounting every ten days. -- This is expanded from sectional auditing and individual cost accounting. In the past there were analyses on the plant's main targets such as the value and quantity of output every ten days, but no ten-day figures on financial costs. It is necessary to work out these figures in order to conform with the steps taken in overall production. The plant has made out cost accounting every ten days by using a large part of actual figures and a small part of estimated figures. It has also practiced auditing the results from expenses on technical organizations and measures. These practices are the means of auditing, as well as inspection. They not only have prompted the progress of

work, but also have greatly advanced monthly reports (at present, on the second day of each month the final accounts of the previous month can be made out).

Regular auditing includes the eight forms mentioned above. In addition, the plant also had adopted some occasional auditing forms for application to central tasks of the Party. The popularization and diversification of economic auditing forms is a product of promoting mass movement in the work of economic auditing; it is one of the important signs of the penetration of economic auditing work among the masses.

In order to attain a still greater leap forward in 1960, the plant has proposed "three auditings, three catching-ups, and three promotions" as the goal of its endeavor. The "three auditings" are: wherever there is production, there will be auditing; whatever the central tasks of the Party are, they are to be accompanied by auditing; wherever there is key project and innovation, there will be auditing. The "three catching-ups" are: catching up with Tientsin in the level of high yield; catching up with Ch'eng-tu in the level of low cost; catching up with Shanghai in the quality and variety of products. The "three promotions" are: promoting the emulation of economic auditing demonstration; promoting the physical presentation of the analysis of economic activities (taking the form of exhibiting physical products); promoting the acceleration of capital turnover. With a view to strengthening the control over fixed assets, the plant is further planning to apply the rent method to the use of fixed assets (It is not exactly rent. In fact, it is the decentralized and divided control of fixed assets).

VI. The Three Links: Auditing, Analysis, and "Attack".  
-- Means of Effecting Continuous Leap Forward in the Enterprise Finance of the Hankow Chiang-an Rolling Stock Manufacturing Plant.

The Hankow Chiang-an /Riverside/ Rolling Stock Manufacturing Plant of the Ministry of Railroads was constructed in 1901, with a glorious revolutionary tradition. It has now been reorganized into a specialized freight car manufacturing plant with 12 machine departments, 104 sections, and about 4,000 workers. This plant assumes the position of the "victorious red flag" in the railroad system, and is one of the progressive units who represented Hupeh Province in the national conference of progressive units. It is famous for its effective cooperation of enterprise finance with banks. It is, in general,



similar to other plants with respect to separate control of funds, decentralization of authority and responsibilities, and economic auditing to serve the central tasks of the Party. Its outstanding experience is to advance from sectional auditing to sectional control and closely combine the three links: auditing, analysis, and "attack". This is a very good method to mobilize and rely thoroughly on the masses to realize continuous leap forward in enterprise finance work. To grasp auditing is to coordinate the contents of auditing with labor emulation, to mobilize the workers to participate in the setting of progressive quotas and in the discussion on work plan every ten days, to make them understand clearly the goal of their endeavor, and to mobilize the workers to take part in auditing, so as to enable them to comprehend the various quotas and plans and the actual performance of their own sections. This will serve to bring forth better the master consciousness of the workers and stimulate the positiveness of the workers in labor emulation. To grasp the link of analysis is to coordinate the analysis of economic activities and democratic control and meetings in sections, and to mobilize the workers to uncover and analyze contradictions, and find out the key to the solution of various problems on the basis of auditing results. To grasp the link of "attack" is to mobilize the masses to undertake bold reforms and to concentrate efforts to attack key problems on the basis of the results of analysis so that the progressive ones will become more progressive and the laggards will be able to catch up with the progressives.

In view of the above, it may be clearly discerned that these three links -- auditing, analysis, and "attack" -- have indicated the process of thoroughly mobilizing and relying on the masses to promote financial work, the process of continuous revolution and leap forward, and the process of coordinating the vigorous promotion of mass movement with the elevation of enterprise control level. During the period of the Great Leap Forward in 1958 and the continuous leap forward in 1959, much experience was already acquired with respect to the work of enterprise finance. To consolidate such experience systematically so as to adapt enterprise financial control to the rapid development of mass movements is an urgent task. The experience of the Hankow Riverside Rolling Stock Manufacturing Plant in combining the three links -- auditing, analysis, and "attack" is an important one and deserves our serious attention.

## VII. The Experience of the Three Eight Store in Relying on the Masses to Improve Operation and Management.

The Three Eight Store is a large-scale department store in Chungking operated and managed by women comrades. At present, it has 295 workers of which women workers number 245, constituting 80 percent of the total. Most of the women workers are middle-aged -- 226 women are in the 25 to 40 age group. In 1959, total sales amounted to 17,000,000 yuan, an increase of 53 percent over that of 1958. The variety of goods sold increased from 9,000 items in 1958 to 15,000 in 1959. Labor efficiency (money sales) in the fourth quarter of 1959 averaged 9,730 yuan per worker per month. Administrative expenses stood at 1.05 percent of total sales while the profit rate scored 7 percent. The rate of errors declined from 0.09 percent in 1958 to 0.015 percent in 1959. A complete turnover of capital required 10.72 days. Of the entire body of workers in the store 30 percent were progressives, 70 percent reached the standard for good saleswomen, and 80 percent of operation sections were regarded as progressive units.

The Three Eight Store is a "red-flag" store in the Chungking Municipality. It was represented in the national conference of progressive units held in 1959, showing outstanding records in various respects. In 1958, the store concentrated in improving service attitudes and achieved good results. The store further stressed the improvement of operation and management in 1959 with a view to realize "double highs and double lows" (double highs referred to high rate of capital turnover and high labor efficiency; double lows referred to low level of expenses and low rate of errors). It also achieved great success in this endeavor.

(1) Mobilize the Masses to Determine the Amount of Commodity and Capital -- The principles pertaining to the determination of amounts are: (a) There should be an appropriate inventory of goods to ensure the supply to the market. (b) Make adequate use of capital and accelerate the turnover of capital. (c) The determination of amount of goods and capital should not effect improvement of quality, and efforts should be made to continuously expand the variety of goods offered.

On the basis of the three principles a special amount-auditing section composed of seven workers (workers responsible for receiving goods, selling goods, safekeeping of goods, finance, planning, statistics, and credit) has

been established to proceed on auditing along the following lines: (a) Inventory auditing, i.e., to take stock of seasonal goods, general goods, out-of-season goods, and unsalable goods and determine adequate inventory; (b) sales auditing, i.e., to determine normal supply to the market in line with seasonal sales pattern. (c) purchasing power auditing, i.e., to estimate market purchasing power on the basis of historical data compiled by banks and the statistical bureau and data on seasonal fluctuations. (d) auditing sources of goods to determine the relative proportions of supply coming from within and outside of the municipal district.

Based on the above-mentioned data, the seven workers perform the actual computation of the interval of orders for stock; the size of inventory ready for retail sales; the period for inspection of the goods, arrangement, and account entry; and the period of storage. With the amount for the principal items and the amounts for the retail counters of different sales sections determined, the amount of goods handled by the entire store can be figured out. The procedure is to start with the foregoing computations by the seven workers, then submit their figures for discussion by the masses, and finally the amounts must be approved by the manager of the store. In order to maintain sufficient goods on shelves and ensure adequate supply to the market, each operating section has the authority to adjust its fixed amount by 10 percent.

In 1959, the fixed amount for seasonal goods was sufficient to meet the needs for 12 days and that of general goods was sufficient for 15 days. High quality goods were stocked as far as the shelves would permit without any set number of days of supply. A certain amount of out-of-season goods were maintained. As the fixed amount is determined through the discussion of the masses, it is in general, appropriate for the purpose of ensuring adequate supply to the market. More important is the fact that, with the mass support in fixing the amounts, the atmosphere that "everybody controls the fixed amount of goods and everybody attends to purchase, sales, and inventory" has spread over the entire store, thereby changing the situation of the past when only a few financial, accounting, and planning workers determined the fixed amounts of goods and cared for their maintenance.

(2) Regulate fixed amounts through the masses. -- The key to the maintenance of fixed amounts and its continuous improvement lies with the masses, that is, whether they have been mobilized to regulate fixed amounts. After

the fixed amounts are determined, the store further delegates a part of the targets to be fulfilled to the operating sections and practices two-level auditing: the store practices independent auditing unifying computation of profit and loss while operating sections practice simplified auditing. An operating section need not make entries of accounts; it only keeps records necessary for it to keep track of its activities and results. The concrete methods and requirements practices by the store are to achieve six determinations for every operating section and two determinations for every worker. Capital, sales, expenses, personnel, variety of goods, and the rate of errors should be determined for every operating section. Of the six items sales and variety of goods should be further determined for every worker. An operating section and its workers must prepare a simplified auditing and schedule to be submitted to the manager of the store for approval; they must also report the results of its execution at the end of every month. An operating section must also make analysis on the progress in executing the approved schedule and existing problems, and make proposals for their solution at the end of every ten days.

The device of assigning six determinations to every operating section and two determinations to every worker, is, in fact, an important measure for decentralizing power and mobilizing the masses to take positive steps to control enterprises. With respect to the control of operation and economic auditing, the experience of the Three Eight Store is -- the control of operation should be general at the upper level and detailed at the lower level, but economic auditing should be detailed at the upper level and simplified at the lower level.

As to the work of control, the Three Eight Store has adopted the method of democratic division of labor among ten workers for the following functions: sales planning, purchase plan, expense control, labor safety and work records, cultural, educational and propaganda activities, sanitation and health, security precaution, service attitudes, commodity prices, and technical innovations. Despite the division of labor, these ten workers render assistance to one another.

As a result of the practice of control on fixed amounts, the required working capital has gradually decreased. It declined from 2,470,000 yuan in the third quarter of 1959 to 920,000 yuan in the fourth quarter of the same year. The masses made 531 proposals for practicing economy in 1959, resulting in savings of about 40,000 yuan.

(3) Strengthen planned control, stress overall balance and combination of specialized control and mass control -- For the purpose of coordinating centralized leadership with mass control, the Three Eight Store has practiced "five unifications, four decentralizations, and one guarantee." Five unifications refer to unification by the store with respect to store-wide planning, policy, store-wide rules and systems, personnel management, and capital management. Four decentralizations refer to decentralization of authority pertaining to operation plan, property control, use of capital, and the placement of personnel to the operation section. One guarantee refers to the stipulation that the operation section is responsible for correctly implementing central tasks and State plans.

In addition, the store has adopted the "three key links", "three balances", and "one coordination." "Three key links" refer to the three steps: purchase, sale, and inventory. The workers undertaking such tasks should provide information to one another and be subject to circular supervision, i.e., the purchasing personnel should closely watch sales, sales personnel should watch inventory condition, and warehouse personnel should watch purchases of goods. "Three balances" refer to the balance of the capital amount of the entire store, the balance of capital amount of various sections, and the balance of capital amount of principal commodities. "One coordination" refers to the coordination of working capital with the plan of commodity circulation. Through this practice, the store is enabled to avoid the occurrence of excessive or insufficient purchases.

To combine specialized control with mass control, the store has further divided the ten workers in each operation section into sub-sections to make them maintain direct business relationships with specialized control personnel. This brings about both unified leadership and decentralization of power and responsibilities. It is a form of organization that integrates administrative control and mass supervision, thereby giving rise to an animated new situation in the operation and management of the enterprise.

(4) Practice political command, stress the organization of the life of the masses and combine the mass movement within and outside the store -- Apart from organizing emulation, criticism, comparison, and vigorously promoting the mass movement within the store, the Three Eight Store has further stressed the organization of the mass movement outside the store. The store has led the positive elements



and progressive production workers among the residents in the neighboring streets to organize "resident supervision committee", and a number of "support-the-store groups" aimed at improving the work of the store. Although the work has not been carried on for long, it has achieved good results. The store has further worked to increase the income of the residents and arranged for the masses, through organization, to undertake processing work. This measure has been heartily welcomed by the masses, resulting in raising their income by more than 20,000 yuan. The masses have also shown great concern on the operation of the store. The support-the-store groups have regularly transmitted opinions and demands of the residents to the store, thereby bringing about the combination of resident supervision and the organization of the life of the residents.

The store has also shown good performance in the improvement of service attitudes. It has regularly delivered goods to six hospitals, old-age homes and nurseries within its operating district so that there would be no need for the patients to get off their beds or the aged people and nurses to leave their residing places to purchase goods from the store. The store has been responsible also for the supply of goods needed by city-wide conferences. It has attained the goal of great variety, high quality, new styles, and full scale in supplying 12 principal categories of goods. Its slogan is: no inferior goods shall ever be sold to consumers."

#### VIII. Postscript.

We have briefly stated in the foregoing pages the conditions, methods, and experiences of vigorously promoting the mass movement in financial work by several enterprises (only the outstanding characteristics of each enterprise are briefly introduced; similar ones have been omitted). Some of the practices and methods are still in the experimental stage and will not be applicable to every enterprise. Nevertheless there is one common feature, i.e., the extension and penetration of the mass economic auditing movement is the concerted demonstration of the mass financial movement. In the following we will discuss some problems in connection with the mass economic auditing movement.

(1) Why does the Party committee of an enterprise regard mass economic auditing as the principle link of promoting mass movement in enterprise finance? Just as what the secretary of the Party Committee in the Ch'eng-tu Measuring and Cutting Tools Plant has said, mass economic

auditing is not just an economic problem, it is primarily a political problem.

First, mass economic auditing is a control system related to the consolidation of "three participations, one reform, and three combinations". It is a problem of mobilizing the masses to participate in management. The workers say: "to assume mastership there must be undertaking of control, to undertake control there must be auditing, and no auditing will result in bad management."

Second, mass economic auditing is an important means to promote labor emulation and to realize increase in production and practice in economy. Labor emulation stimulates economic auditing, while economic auditing in turn enriches the substance of labor emulation. They render mutual encouragement and advancement. (In the past much emphasis in labor emulation was placed on the increase of production, thus quality was often neglected and if quality was stressed, costs were overlooked. Now, the quantity of output, quality, and costs are all subject to auditing, common criticism, and comparison.) Workers give greatest attention to their labor achievements and place great care on economy. With necessary auditing, workers are enabled to know their own labor results - whether their work has led to increases in production and economy in expenses. In this way the work enthusiasm and master consciousness of the masses are stimulated. The experience of the Ch'eng-tu Measuring and Cutting Tools Plant reveals that after the adoption of auditing in sections, workers were surprised to learn that a piece of diamond imported from abroad cost more than 500 yuan; they voluntarily practiced economy and expanded technical innovations with emery wheel tools to replace diamond to reduce cost. In view of this experience, we can be certain that the expansion of economic auditing is closely related with the movement of increasing production and practicing economy characterized by technical innovation, increases in labor productivity and reduction in costs.

Third, mass economic auditing is an basic means of strengthening enterprise control, elevating the level of enterprise control, and realizing detailed undertaking of economic affairs. The promotion of mass movement should be combined with the work of strengthening control. We must not promote the mass movement while neglecting control; nor should we only attend to control and overlook mass movement. The principal link to the combination of mass movement and control work is to let the masses participate in control and expand mass economic auditing. Whether

a modern enterprise control is good or bad will be mainly reflected in economic and financial results. To promote correct and timely economic auditing movement and publish labor achievements will greatly strengthen and improve control work. Sectional auditing is actually sectional control, the foundation of production control in an enterprise. In the course of mass economic auditing, there is indoctrination among the masses to attain an overall and balanced fulfillment of the State plan: high level of production, superior quality, low cost, and high efficiency on the one hand, and safety and balance in production on the other. After taking part in auditing work, the workers say: "To assume mastership enables us to realize how expensive fuel and rice are. Now, we have to calculate carefully with every undertaking." This reflects the master consciousness of the workers after their participation in control. Under such conditions, work performance will be more precise and detailed and the level of control will be greatly elevated.

Fourth, economic auditing reveals the relationship between the State and enterprises, among various enterprises, and within each enterprise, thereby facilitating the timely discovery and adjustment of internal contradictions. Economic auditing is established on the basis of combining the State centralized leadership towards enterprises and independent operation in individual enterprises. Despite the fact that the various machinery departments, sections, and groups of an enterprise are not independent operating units and are not responsible for profit and loss separately, it is necessary to give them limited discretionary power under the unified leadership so as to develop their creativeness. This is proved by the fact that the few enterprises we visited have all practiced a system of decentralized and divided control together with the promotion of mass economic auditing. To practice and consolidate economic auditing correctly within an enterprise requires a correct regulation of the relationships among its main office, machine departments, sections and various divisions and offices. There should be also coordination of centralized leadership with decentralized control to effect the mobilization of all positive elements.

To promote economic auditing by Party committees is not simply based on financial considerations, but on the viewpoint of making workers participate in control, affirming labor emulation, advancing the level of enterprise management, and adjusting internal relationships of enterprises.

(2) Are economic auditing and its mass participation difficult? Mass economic auditing cannot be developed all at once. The principal obstacle to its development stems from the uncertainty as to whether the masses are capable of undertaking auditing, whether mass participation in auditing would give rise to disturbances, and whether mass economic auditing would be able to last?

Economic auditing and analysis of economic activities are often regarded as something mysterious and difficult to practise. In fact, this is but a myth and a reflection of the thinking of the capitalist class on the work of auditing (the capitalists use "commercial secrecy" as a pretext to cover up their exploitation process, and purposely make auditing complex and difficult to comprehend so that only those who have undertaken specialized training can understand it). Is economic auditing really difficult? The answer has been adequately given by the masses during public discussions and debates. They point out that the existence of emulation records among sections makes it possible to practice sectional economic auditing; the existence of division of labor among various divisions and offices, makes it possible to practice divided control of capital; the existence of sectional meetings and a form of democratic control makes it possible to practice analysis of sectional economic activities; the existence of monthly production targets and estimates of receipts and expenditures, makes it possible to draw up monthly plans with respect to financial receipts and expenditures. Sectional auditing, divided control of capital, analysis of economic activities, and formulations of financial receipt and expenditure plans are nothing but to reflect the productive activities and production control of an enterprise. As the workers have been able to undertake production and participate in control with good results, why cannot they participate in financial control?

The masses have presented also a large body of facts to answer the question in the course of its practice. They have absorbed and created many popularized auditing forms on the basis of their daily life, such as the application of food coupon method to fix amount of raw material consumption, the application of book-borrowing procedure to the use of tools, the adoption of point system in carrying out overall auditing of leap forward, the adoption of calendar and label devices to audit sales and inventory, etc. With the combination of the principle of economic auditing and the experience of the masses in their daily living, economic auditing has become popularized; workers

have been able to comprehend it with greater ease (workers have shown that they can finish auditing the progress toward various targets within 15 minutes after leaving regular work in sections).

In view of the above, we may conclude that economic auditing itself is not hard or difficult to comprehend. These epithets are but the dogmatic jargon transmitted from old textbooks. A worker comrade once said: "just as generals are not ignorant of literary works, workers do possess profound wisdom and intelligence; through the control of economy and promotion of auditing, workers assume the mastership with red flags flying high."

Some people are worried that since sectional auditing was tried before but generally did not last long the promotion of mass economic auditing movement this time may not stay either. But the sectional auditing undertaken in the past was characterized by making workers carry on auditing work for financial divisions, while the current practice of sectional auditing is to facilitate worker participation in control. We must not look at new undertakings with old viewpoints. Since the conditions are not the same results are bound to be different. The mass economic auditing movement undertaken this time has been developed on the basis of mass movement, and on the basis of decentralization of authority with workers participating in control. Combined with democratic control, labor emulation, and material incentives this economic auditing movement will continue to last and to be improved.

Of course, when we say that economic auditing is not difficult to comprehend we do not mean that the promotion of the mass economic auditing movement is an easy undertaking. It embodies ideological as well as practical problems. At present, most workers are newly recruited. Their cultural level is not sufficiently high. This is one of the practical problems. In order to meet the needs of expanding work in the future, many plants are planning to raise gradually the level of auditing workers comparable with that of graduates from specialized schools. This is a burdensome but urgent matter. To say that the mass economic auditing movement is capable of persisting does not mean that it can satisfy all demands and that there is no need to reach for further progress. We should consolidate the experience of the mass movement and continue to elevate the level of economic auditing.

(3) What is the principal experience of promoting the mass economic auditing movement? The effects of mass economic auditing movement are quite apparent; viz. reduction of cost, economy of capital, and increases in income.



Most important is the fact that through the mass economic auditing movement the spirit of workers has been changed and the level of enterprise control has been raised. At present, either in the field of production or in the field of finance, "workers hold the power." Workers are producers and they also control auditing and personnel. This is entirely contrary to the old erroneous thinking that "cadres should undertake auditing while workers are but fools." The Party committee secretary of the Ch'eng-tu Measurements and Cutting Tools Plant is correct when he said: "the promotion of mass economic auditing movement has pushed the mass line to the field of enterprises; the communist ideology has advanced, and the level of enterprise control has been greatly improved."

What are the principal experiences? The basic ones are the leadership of the Party, expansion of production, and the mass line. Generally speaking, the direction of improving enterprise finance has been clear and the "three fundamental viewpoints" have been strengthened. The current problem is how to apply the "three fundamental viewpoints" to practical work and how to find out the concrete forms of promoting the mass movement without stopping at the general principles stage. The Ch'eng-tu Measuring and Cutting Tools Plant has revealed three main concrete experiences:

(a) Adopt the system of decentralized control under a unified leadership. Without appropriate decentralized and divided control there will be little possibility of adequately mobilizing the masses, and even if the masses are mobilized, it will not last.

(b) Integrate auditing, emulation, and comprehensive prizes. Integrate economic auditing with labor emulation; political command with material incentives, with politics assuming the leadership and the soul.

(c) Grasp the three links -- auditing, analysis, and "attack". These three links reveal the process of continuously relying on and mobilizing the masses to undertake financial affairs, the process of continuously carrying on revolution and leap forward, and the process of combining the vigorous promotion of mass movement with the advancement of control level.

As a single experience, that of the Chungking Machine Tools Plant with respect to the promotion of "sequence of production" and the acceleration of capital turnover is also quite outstanding.

(4) What is the basis on which the mass movement is promoted to carry on financial work? Where should the

advance guards be placed? Sections in an enterprise serve as the basis of enterprise control, as well as the basis on which the mass movement is promoted to carry on financial work. All the productive activities in a plant are undertaken through the various sections. Past experience has proved that if one third of the sections in a plant are superior ones, there will be a great change in the performance of the enterprise. Consequently, if we strengthen the work in sections, mobilize the masses to participate in control and auditing, and combine such work with the worker's congress we will be able to better enforce the mass line and continuously advance the level of control.

In general, there are ten important workers in a section. They are responsible for planning, techniques, quality of output, finance, statistics, materials and tools, safety, work records, daily life, and propaganda. (some sections have only eight or seven workers to undertake these tasks). These ten tasks are all concurrently undertaken by workers. These workers do not merely carry out the work of entering accounts and auditing, they assist the head of the production section in strengthening overall control. With these ten workers the mass auditing can be established on a really firm basis. Since they are all workers, what they can do can also be performed by the others. To establish sectional auditing and place ten workers as advance guards, therefore, has a great significance in the promotion of the mass movement in enterprise finance.

END

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